

This rule was filed as SBF Rule 89-7.

TITLE 2 PUBLIC FINANCE
CHAPTER 60 INVESTMENT AND DEPOSIT OF PUBLIC FUNDS
PART 9 INVESTING AGENCIES RECONCILING AND REPORTING POLICY

2.60.9.1 ISSUING AGENCY: State Board of Finance.
[Recompiled 10/01/01]

2.60.9.2 SCOPE: [RESERVED]
[Recompiled 10/01/01]

2.60.9.3 STATUTORY AUTHORITY: [RESERVED]
[Recompiled 10/01/01]

2.60.9.4 DURATION: [Permanent.]
[Recompiled 10/01/01]

2.60.9.5 EFFECTIVE DATE: [Filed December 4, 1989]
[Recompiled 10/01/01]

2.60.9.6 OBJECTIVE: To protect funds and assets of the state deposited or held in custody with the fiscal agent bank and the correspondent bank of the fiscal agent by establishing requirements for reconciling securities and cash balances of investing agencies.
[Recompiled 10/01/01]

2.60.9.7 DEFINITIONS:

- A. "Board" means the state board of finance.
 - B. "SBF" means the board of finance division, department of finance and administration, which administers the fiscal agent contract.
 - C. "Investing agencies" means the state investment council (SIC), the educational retirement board (ERB), the public employees retirement association (PERA) and the state treasurer's office (STO) overnight investment program.
 - D. "Cash manager" means the cash manager division of the STO.
 - E. "Fiscal agent bank" means the fiscal agent operating under the current fiscal agent contract with the board.
 - F. "Correspondent bank" means the correspondent bank providing correspondent banking services to the fiscal agent bank, approved by the board.
 - G. "Exceptions" means any differences between balances and transactions on the records of investing agencies and the records of the fiscal agent and the correspondent bank.
 - H. "Investment exception/resolution report" means the reconciliation form prescribed by the state treasurer's office to be completed by the investing agencies in order to comply with this directive.
 - I. "Reconcile" means a determination of items necessary to bring the records of investing agencies and the fiscal agent and correspondent bank balances into agreement for the prior business day.
- [Recompiled 10/01/01]

2.60.9.8 REPORTING EXCEPTIONS:

- A. Daily Reconciliation and Reporting Requirements:
 - (1) All investing agencies shall reconcile their respective investment transactions and investment, account cash balances daily to the records of the fiscal agent bank and correspondent bank for the prior business day.
 - (2) All investing agencies shall report the following day by submitting an investment exception/resolution report to the cash manager:
 - (a) any bank-caused exceptions;
 - (b) any exceptions that have not been reconciled within fourteen (14) days; and

(c) any resolution of an exception reported in Paragraph A, Section 2.b, [now Subparagraph (b) of Paragraph (2) of Subsection A of 2.60.9.8 NMAC] above.

B. Monthly:

(1) By the tenth (10th) day of the month all investing agencies shall submit to the cash manager division of the STO a signed certification indicating all custodial accounts and all investment cash accounts for the previous month were reconciled and the status of pending adjustments and corrections of any unreconciled exceptions.

(2) By the tenth (10th) day of the month, the cash manager division shall notify SBF of any exceptions or errors caused by the fiscal agent bank or the correspondent bank during the previous month. The SBF shall ensure bank-caused errors do not result in increases to the compensating balances required or erroneous bank charges.

(3) Monthly the state treasurer's office may report to the board any reconciliation exceptions of investing agencies. Included in this report may be any exception not corrected by the investing agencies within thirty (30) days from the date the exception occurred or any exceptions deemed material or substantive at the discretion of the state treasurer.

C. Quarterly: Within sixty (60) days after the end of each calendar quarter, the state treasurer's office shall report to the board a summary of all exceptions not reconciled, including aggregate exceptions for a single investing agency, in the amount of \$10,000 or more, which have remained unreconciled for a period of at least thirty (30) days. This report shall be as of the end of the last business day of the last month of the previous calendar quarter. At the discretion of the state treasurer's office, the report may also include any and all exceptions deemed material or substantive, which exceptions may be for single or aggregate amounts less than \$10,000 and unreconciled for a period of less than 30 days.

[Recompiled 10/01/01]

2.60.9.9 BACK-UP PROCEDURES: Investing agencies shall establish procedures by 3/31/90 to be utilized if the communications software system used by the fiscal agent bank and investing agencies is not available. The designated personnel administering the procedures and a copy of the procedures will be reported to the director of the SBF, contract administrator of the fiscal agent contract.

[Recompiled 10/01/01]

2.60.9.10 DOCUMENTATION AND AUDIT:

A. All documentation and statements are subject to audit by the state auditor and external auditors. The state auditor may not [sic] any failure to comply with this policy and the amount of any outstanding reconciliation exceptions in the annual audits of investing agencies.

B. Failure of any investing agencies to comply with this policy may result in a determination of the state treasurer to refuse to pay a warrant pursuant to Section 8-6-7, NMSA 1978. Investing agencies not complying with this policy will be responsible for any losses, expenses, overdraft charges or interest charges incurred by the investing agency or the STO, including, but not limited to, so-called "failed" investment agency.

C. Investing agencies shall maintain sufficient collected available *uninvested balances* in their respective investment cash accounts maintained through the STO at the fiscal agent and correspondent bank to reimburse the state general fund for any overdraft charges of the fiscal agent bank and correspondent bank on behalf of an investing agency.

D. Investing agencies shall submit for audit to the state auditor or external auditors exceptions not cured within ninety (90) days from the date of the quarterly report submitted by the STO to the board.

E. In no event shall overdraft charges or the expenses of any audit to cure discrepancies described in this policy by [sic] borne by the state general fund.

[Recompiled 10/01/01]

2.60.9.11 [ADOPTION]:

A. Approved by State Board of Finance on November 28, 1989.

B. This rule is effective November 28, 1989.

C. Rosina Boyd, Director, State Board of Finance

D. Date signed. November 28, 1989

[Recompiled 10/01/01]

HISTORY OF 2.60.9 NMAC:

Pre-NMAC History: The material in this Part was derived from that previously filed with the State Records Center and Archives:

SBF Directive 72-6, Policies Relating to the Reconciliation and Reporting of Investment Transactions, 3-7-84.

SBF Rule 89-7, Investing Agencies Reconciling and Reporting Policy, 12-4-89.

History of Repealed Material: [RESERVED.]